

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES**

April 30, 2006



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOONE COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES

April 30, 2006

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Boone County Sheriff as of April 30, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$92,755,854 for the districts for 2005 taxes, retaining commissions of \$2,579,319 to operate the Sheriff's office. The Sheriff distributed taxes of \$89,618,314 to the districts for 2005 Taxes. Taxes of \$658 are due to the districts from the Sheriff and refunds of \$517 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the Boone County Sheriff's Settlement - 2005 Taxes as of April 30, 2006. This tax settlement is the responsibility of the Boone County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boone County Sheriff's taxes charged, credited, and paid as of April 30, 2006, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 7, 2006

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES

April 30, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 7,411,512	\$ 15,773,146	\$ 41,488,337	\$ 10,226,457
Tangible Personal Property	1,708,721	5,801,966	6,222,278	3,432,174
Intangible Personal Property				1,225,606
Increases Through Exonerations	84,117	176,246	427,599	148,852
Omitted Taxes	21,554	29,260	106,147	30,309
Franchise Corporation	546,650	1,185,911	2,247,732	
Additional Billings	14,930	30,922	56,389	4,614
Limestone, Sand, and Mineral Reserves	910	2,421	4,935	1,255
Leasehold/Prior Year				1,232
Penalties	29,224	55,514	157,025	43,327
Adjusted to Sheriff's Receipt	56	16	53	(52)
Gross Chargeable to Sheriff	9,817,674	23,055,402	50,710,495	15,113,774
<u>Credits</u>				
Exonerations	373,944	978,183	1,391,126	355,114
Discounts	152,913	355,200	805,470	254,719
Delinquents:				
Real Estate	59,033	129,211	358,836	81,403
Tangible Personal Property	8,226	19,466	29,636	24,298
Intangible Personal Property				8,537
Uncollected/Delinquent Franchises	64,027	144,566	258,009	
Omitted Bills - Uncollected	1,270	2,869	8,667	1,775
Additional Bills - Uncollected	12,067	23,052	38,695	1,179
Total Credits	671,480	1,652,547	2,890,439	727,025
Taxes Collected	9,146,194	21,402,855	47,820,056	14,386,749
Less: Commissions *	389,001	622,193	956,401	611,724
Taxes Due	8,757,193	20,780,662	46,863,655	13,775,025
Taxes Paid	8,673,173	20,687,648	46,576,834	13,680,659
Refunds (Current and Prior Year)	83,940	93,120	286,668	94,352
Due Districts or (Refunds Due Sheriff) as of		**	***	
Completion of Fieldwork	\$ 80	\$ (106)	\$ 153	\$ 14

*, **, and *** See Next Page

The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
 MICHAEL A. HELMIG, SHERIFF
 SHERIFF'S SETTLEMENT - 2005 TAXES
 April 30, 2006
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	36,081,842
2% on	\$	47,820,056
1% on	\$	8,843,956

** Special Taxing Districts:

Library District	\$	64
Health District		(96)
Extension District		(52)
Walton Fire District		40
Hebron Fire District		67
Burlington Fire District		(112)
Petersburg Fire District		(2)
Verona Fire District		(15)
		<hr/>

Due Districts or (Refunds Due Sheriff)	\$	(106)
		<hr/>

*** School Taxing Districts:

Common School Districts	\$	(240)
Graded School Districts		393
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Total Due Districts	\$	153
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BOONE COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
April 30, 2006
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2005 through April 30, 2006.

Note 4. Interest Income

The Boone County Sheriff earned \$49,358 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder is to be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Boone County Sheriff collected \$170,268 of 10% add-on fees allowed by KRS 134.430(3). This amount is to be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Boone County Sheriff collected \$10,881 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). Since the Sheriff pays for the advertising cost, he transferred the collections to the fee account to be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2005 taxes, the Sheriff had \$684 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boone County Sheriff's Settlement - 2005 Taxes as of April 30, 2006, and have issued our report thereon dated December 7, 2006. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boone County Sheriff's Settlement - 2005 Taxes as of April 30, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 7, 2006

